CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

ANNUAL REPORT

OF

MARSHALL FIELD & COMPANY

YEAR ENDED
DECEMBER 31, 1946

General Offices

25 East Washington Street
Chicago 2, Illinois

BOARDS
q658.27
M3581

A notice of the annual meeting of shareholders, to be held on April 22, 1947, together with a proxy statement and form of proxy will be mailed to shareholders on or about March 20, 1947. Proxies will be solicited by the management.

MARSHALL FIELD & COMPANY

An Illinois Corporation

Founded in 1852 Incorporated in 1901

BOARD OF DIRECTORS

ALBERT B. DICK, JR.
MARSHALL FIELD
STANLEY FIELD
CHARLES Y. FREEMAN
HENRY P. ISHAM
HUGHSTON M. McBAIN
JAMES L. PALMER
JAMES SIMPSON, JR.
JOHN P. WILSON

OFFICERS

President
HUGHSTON M. McBAIN

Executive Vice President
JAMES L. PALMER

Vice Presidents

AUSTIN T. GRAVES
LUTHER H. HODGES
HAROLD J. NUTTING
WILLIAM S. STREET

Divisional Vice Presidents

GARRET L. BERGEN	Personnel Manager	Chicago Stores
HECTOR A. ESCOBOSA	General Manager	Frederick & Nelson
LAWRENCE B. SIZER	Sales Promotion Manager	Chicago Stores
HAROLD W. WHITCOMB	Assistant General Manager	Fieldcrest Mills

Treasurer
EARL KRIBBEN

Comptroller
JOHN D. ANDERSEN

Secretary
RALPH E. BOWERS

Assistant Vice President
MILTON C. MUMFORD

Assistant to the President
GERALD A. SIVAGE

Assistant Treasurer
LELAND C. CARSTENS

Assistant Comptroller
JAMES C. WALSH

Assistant Secretary
VOLKER KOCH-WESER

General Counsel
WILSON & McILVAINE
CHICAGO

Public Accountants
ARTHUR ANDERSEN & CO.
CHICAGO

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
CHICAGO

GUARANTY TRUST COMPANY OF NEW YORK
NEW YORK

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
CHICAGO

BANKERS TRUST COMPANY
NEW YORK

THE STORY in BRIEF

A Summary of Our Financial Progress Since 1940

	1946	1945	1940
Sales, Earnings, Taxes and Dividends:			
Net Sales	$196,860,077	$161,893,962	$ 89,970,018
Earnings before Federal Taxes and Reserve Provision	22,670,106	20,516,942	7,372,981
Federal Taxes	8,614,640	15,306,849	1,680,000
Earnings before Reserve Provision	14,055,466	5,210,093	5,692,981
Per Common Share	6.90	2.35	2.47
Net Profit	11,548,649	5,210,093	5,692,981
Per Common Share	5.61	2.35	2.47
Dividends Paid—Preferred	637,500	713,852	900,000
Common	5,345,348	2,138,139	2,526,892
Per Common Share	2.75	1.10	1.30
Assets and Related Items:			
Cash and Government Securities	14,736,079	23,775,639	7,945,729
Merchandise Inventories	24,077,703	15,557,305	13,749,921
Merchandise on Order	16,362,000	15,812,000	3,994,000
Accounts Receivable	20,043,555	12,702,035	10,996,953
Current Assets	58,857,337	52,034,979	32,692,603
Fixed Assets	33,736,292	31,596,612	58,245,197
Liabilities:			
Notes Payable	—	—	—
Current Liabilities	26,873,973	24,244,045	9,660,284
Funded Debt	—	—	27,850,000
Capital, Surplus and Reserves:			
Preferred Shares—4¼%	15,000,000	15,000,000	—
Preferred Shares—6%	—	—	15,000,000
Common Shares	16,818,815	16,818,815	16,818,815
Earned Surplus	15,041,611	11,864,563	10,774,439
Paid-in Surplus	9,207,179	9,207,179	10,167,279
Reserves	11,229,239	7,702,022	1,893,931
Net Worth (Capital Stock and Surplus)	56,067,605	52,890,557	52,760,533
Net Worth and Reserves	67,296,844	60,592,579	54,654,464
Miscellaneous Data:			
Expenditures for Plant and Equipment	3,637,531	1,456,579	1,668,054
Depreciation	1,441,163	2,345,048	2,372,966
Expenditures for Retirement Program	3,140,725	2,750,306	—
Payrolls	43,445,207	34,204,501	21,135,566

TO THE SHAREHOLDERS

The Board of Directors submits this annual report for the year ended December 31, 1946.

Nineteen forty-six was a significant year in the affairs of your Company. Net sales (excluding rental income) reached an all-time high of $196,860,077 compared with $161,893,962 in 1945, a gain of 22%. Net profit rose sharply. Inventories increased and became better balanced with a gradual return of goods which had been scarce during the war. Considerable progress was made toward the restoration of our traditional peacetime standards of customer service.

OPERATING RESULTS

	1946	1945
Earnings Before Federal Income Taxes and Provision for Inventory Reserve	$22,670,106	$20,516,942
Provision for Federal income taxes	8,614,640	15,306,849
Earnings Before Provision for Inventory Reserve	$14,055,466	$ 5,210,093
Provision for possible future decline in market value of inventories, and other contingencies	2,506,817	—
Net Profit	$11,548,649	$ 5,210,093

While 1946 profit after taxes was high as compared with war years, the explanation lies almost entirely in the removal of Federal excess profits taxes. Earnings before taxes and provision for inventory reserve were only slightly above those of 1945, despite the sales gain of 22%. Higher salaries, lower retail gross profit margins, and the restoration of customer services all contributed to the reduction in earnings before taxes, per dollar of sales. During the war period high tax rates made it practically impossible for the Company to earn, before reserve provisions, a return of more than 9% on the total of its net worth and reserves. While this rate of return was substantially exceeded in 1946, the average rate for the years 1940–1946 inclusive was 10.7%. Profits after reserve provisions averaged 9.1% of net worth and reserves during this period.

Net profit per Common Share in 1946, after preferred dividend requirements, was $5.61 compared with $2.35 in 1945. Net earnings per Common Share in 1946 were $6.90 before provision for inventory reserve.

Dividends paid per Common Share in 1946 were $2.75 compared with $1.10 in the previous year. Because of the unusually heavy demands upon funds to finance increases in inventories and receivables, and capital improvements, it was necessary to retain in the business a large part of our current earnings.

FINANCIAL CONDITION

Further strengthening of the Company's financial position took place in 1946. The high level of earnings enabled us, after increasing the common dividend rate, to add sizable amounts to our earned surplus and reserve accounts; it also made possible the financing of higher working capital requirements without resort to loans.

Total cash and Government security holdings declined approximately $9,000,000 during the year. Inventories, far below requirements in the war years, increased $8,500,000 and totaled $24,100,000 at the year-end. These inventories were not excessive in view of the high level of sales. Receivables increased $7,300,000 and stood at $20,000,000 on December 31, 1946. Large increases in credit sales in our retail stores were primarily responsible. Our collection ratios continued to be favorable.

Our capital expenditures during the year totaled $3,600,000, about $2,200,000 in excess of depreciation, but $1,400,000 less than originally planned. Many months ago we decided to defer indefinitely all but absolutely necessary construction projects because of high costs and other unsatisfactory conditions. At the year-end we had commitments for buildings, equipment, machinery and other capital goods totaling approximately $4,000,000.

Merchandise on order amounted to $16,400,000 on December 31, 1946, approximately the same as at the end of 1945. In certain merchandise lines it still is necessary, if adequate supplies of goods are to be obtained, to place orders further ahead than customary under normal conditions. We continue to pursue as conservative a buying policy as is possible in view of the necessity of rendering good service to customers.

The prices of some goods advanced materially during the year, but evidences of price weakness appeared in a few lines toward the end of the year. While no one can accurately foretell the future course of prices, it is reasonable to assume that the recent upswing in prices may be offset in whole or in part by price declines at some future date. With this eventuality in mind we set aside $2,500,000 out of 1946 earnings, thereby increasing our reserve against decline in market value of inventories, and other contingencies to $6,000,000.

The Company in 1946 made payments approximating $3,150,000 toward the cost of its employe Retirement Program, of which the Pension Plan is a part. These payments exceeded by about $400,000 the corresponding payments in 1945, due primarily to higher salary levels.

Earned surplus increased during the year from $11,900,000 to $15,000,000. Dividends declared in 1946 totaled $6,371,601, and were charged against this account. The only other charge against it represented the transfer of $2,000,000 to the reserve for estimated net past service cost of the Pension Plan, leaving a balance in this reserve of $5,200,000 at December 31, 1946.

The number of our shareholders has been increasing steadily, and reached 15,275 at the end of 1946.

PERSONNEL

We record with deep sorrow the death on April 6, 1946 of Col. A. A. Sprague, who made a significant contribution to the welfare of the Company during the eight years he served as a director. Mr. H. P. Isham was elected at the annual meeting of shareholders on April 23, 1946, to fill this vacancy.

The following men, who occupy important administrative positions with the Company and who have been with us for many years, were elected officers of the corporation. Their respective divisional responsibilities have not been changed:

A. T. Graves, Vice President, General Operating Manager, Chicago stores
H. J. Nutting, Vice President, General Merchandise Manager, Chicago stores
G. L. Bergen, Divisional Vice President, Personnel Manager, Chicago stores
H. A. Escobosa, Divisional Vice President, General Manager, Frederick & Nelson
L. B. Sizer, Divisional Vice President, Sales Promotion Manager, Chicago stores
H. W. Whitcomb, Divisional Vice President, Asst. General Manager, Fieldcrest Mills

The following officers with general corporate responsibilities were elected: R. E. Bowers, Secretary, M. C. Mumford, Assistant Vice President, G. A. Sivage, Assistant to the President, Volker Koch-Weser, Assistant Secretary.

A number of important promotions were made during 1946 in our managerial group.

In the Chicago stores Mr. J. L. Schureman, who has been with the Company more than 20 years in various merchandising capacities, was appointed senior Assistant General Merchandise Manager. Mr. Paul Hammaker was also named an Assistant General Merchandise Manager. He will concentrate his efforts on the apparel and other fashion sections. Mr. R. C. Bond was appointed Merchandise Manager in charge of all children's sections on the fourth floor.

In Seattle Mr. D. W. Davidson, who has had more than 20 years of merchandising experience in our Chicago stores, was appointed General Merchandise Manager of Frederick & Nelson.

In New York Mr. John McKinlay, Jr., who has been with the Company more than 15 years, was appointed Merchandise Manager of our Eastern buying office, which serves all our retail stores in the Chicago and Seattle areas.

In the Fieldcrest Mills Mr. J. F. Wilson, Production Manager, retired as of December 31, 1946. Mr. Wilson was a valued employe of the Company for 36 years. Mr. G. L. Ivie was appointed Assistant General Sales Manager, and Mr. A. S. Thompson was named Sales Manager of Domestics. Each of these men has occupied various positions of responsibility in our manufacturing operations for more than 15 years.

CHICAGO AND SUBURBAN STORES

The Chicago stores in 1946 had a larger sales gain than our other divisions. Gross profit rates were slightly lower than in the preceding year, while expenses rose sharply. A large part of the expense increase was due to higher salary levels. Earnings before taxes in this division were slightly higher than in the preceding year.

The principal capital improvement originally planned for 1946 in the main Chicago store was the construction of a new escalator. We were unable to start construction until

the end of the year, due to labor difficulties of the manufacturer. We now hope to have it finished for the Christmas Season of 1947.

During 1946 we completed the relighting and redecorating of the entire main store basement sales area and changed its merchandising policy. It is now operated under the name of "The Budget Floor". Merchandise plans for this area emphasize the maintenance at all times of dependable, medium-priced, well assorted stocks. This new program for the Budget Floor has met with the enthusiastic approval of our manufacturing resources as well as our customers.

We were able during the year to provide more selling space in our main Chicago store by constructing several floors in one of the light wells. We also have acquired additional selling space in properties adjacent to our Evanston and Oak Park suburban stores. This space is being used principally to promote the sale of housewares and frozen foods.

In 1946 we restored all of the customer services which we were obliged to curtail during the war years. While such services have increased our expenses and will continue to do so, our policy of providing the finest customer service possible is of paramount importance and is worth its cost. Throughout the year much educational work was undertaken to impress our employes with the importance of courteous service. These efforts will continue.

FREDERICK & NELSON, SEATTLE

The Frederick & Nelson sales increase in 1946 was less than that of the Company as a whole. Rate of gross profit, as in the Chicago stores, was somewhat lower than in 1945. Expenses were substantially higher, due in considerable part to salary increases. Despite the 1946 sales increase, earnings before taxes were slightly lower than in 1945.

Due to our inability to secure a building permit from the Civilian Production Administration and because of unsatisfactory construction conditions, we have decided to defer indefinitely our plans announced last year to build a substantial addition to the Frederick & Nelson store. Work was started early in the year, however, on Frederick & Nelson's first escalator, part of which was in operation before Christmas. Its completion in the near future will provide our customers with a much needed improvement in transportation within the store.

In August 1946 the first Frederick & Nelson suburban store was opened. It is located in Bellevue, Washington, 11 miles from the center of Seattle. The store occupies about 20,000 square feet of leased premises in a thoroughly modern building completed last spring. Its sales and profits have been satisfactory to date.

FIELDCREST MILLS

At the close of 1946 the name of the Company's Manufacturing Division was changed to Fieldcrest Mills. These mills will continue as a division of Marshall Field & Company, not as a subsidiary corporation. Since most of our products are marketed under the trademark "Fieldcrest" we believe that the change in name will be beneficial in the promotion of our better grade sheets, towels, bedspreads, blankets, lace tablecloths and curtains, hosiery, and other textile products.

The first postwar product of the mills was the Fieldcrest lace tablecloth, developed in our research laboratories, and introduced late in 1946. Early in 1947 Fieldcrest embroidered bedspreads were placed on the market after more than two years of development and research. The Fieldcrest Thermostatic Blanket, with an exclusive control unit made by Thomas A. Edison, Inc., and with several features new to electric blankets, will make its appearance shortly. Our new Karastan "Masterpiece" rug already is recognized as the most luxurious to be loomed in America.

Net sales in the Fieldcrest Mills increased approximately 12% over 1945. Earnings before taxes were somewhat higher than in the preceding year. During the year we inaugurated a complete hedging operation to cover our unprotected cotton position. Unrealized profits on this operation were not taken into the income account at the close of the year.

We were more successful in the Fieldcrest Mills than in any other division of the Company in completing the 1946 capital expenditure program. We spent close to the $1,000,000 originally planned for modern textile machinery, most of which has been delivered and installed.

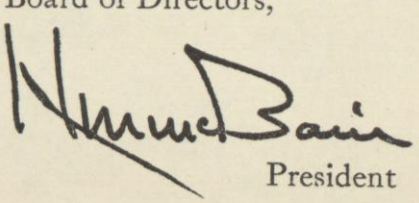
GENERAL COMMENTS

While recognizing the necessity for Government regulation in wartime, we are pleased that most of the controls affecting our business were removed in 1946. We carefully refrained from exploitation which might have been possible after the removal of Government regulations. We believe that a free competitive market is the best regulator of our economy, and that we can offer better values and render finer service to customers and employes alike in such a market. We recognize fully that, if this is true, business must conduct itself with complete integrity and with the public welfare always in mind.

While we are still confronted with a shortage of manpower for certain types of work, there was a gradual improvement in the situation during the year. As of December 31, 1946 we had 22,203 employes on the payroll. We are grateful to all of them for their untiring efforts in doing their jobs well and in serving our customers courteously. They are responsible for much of the continued success of the Company.

While no one can tell what lies ahead for our industry, and although the 1946 level of profit is not likely to continue, we are reasonably optimistic about the outlook for our business. Your Company is in the strongest financial position it has enjoyed in a great many years. Since we own all our principal properties, our lease obligations are negligible. Our physical plants and equipment are in good condition. Our merchandise inventories are better balanced than for several years. We are in a position to take advantage of whatever buying opportunities develop. While we do not expect 1947 to be an easy year, we are convinced that our organization is well prepared to meet whatever problems lie ahead.

By order of the Board of Directors,



President

February 18, 1947

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of December 31, 1946, and the statements of profit and loss, earned surplus and reserves for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and it included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1945.

In our opinion, the accompanying balance sheet and related statements of profit and loss, earned surplus and reserves present fairly the position of Marshall Field & Company at December 31, 1946 and the results of its operations for the fiscal year, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 10, 1947.

To the Shareholders of
Marshall Field & Company:

The financial statements contained in this report are correct, to my best knowledge and belief.

John D Andersen

Comptroller

February 18, 1947

Statement of Profit and Loss
For the Years Ended December 31, 1946 and 1945

	1946	1945
EARNINGS FROM RETAIL AND MANUFACTURING OPERATIONS:		
Net sales to customers	$196,860,077	$161,893,962
Cost of sales and operating expenses	174,189,971	141,355,620
	$ 22,670,106	$ 20,538,342
EARNINGS FROM REAL ESTATE OPERATIONS	—	1,208,790
TOTAL EARNINGS BEFORE INTEREST, FEDERAL INCOME TAXES AND PROVISION FOR INVENTORY RESERVE	$ 22,670,106	$ 21,747,132
Interest charges on funded debt (including debt redemption premium of $659,300)	$ —	$ 1,230,190
Provision for Federal income taxes (see footnote)	8,614,640	15,306,849
	$ 8,614,640	$ 16,537,039
EARNINGS BEFORE PROVISION FOR INVENTORY RESERVE	$ 14,055,466	$ 5,210,093
Provision for possible future decline in market value of inventories, and other contingencies	2,506,817	—
NET PROFIT FOR THE YEAR	$ 11,548,649	$ 5,210,093

FOOTNOTES:

The above provisions for Federal income taxes have been determined before deducting the loss on the sale of the Merchandise Mart in 1945 and the portions of the past service cost of the Pension Plan paid in 1946 and 1945. These items less the reductions in taxes resulting therefrom have been charged to reserves. The taxes payable after deducting these charges are estimated at $8,014,240 in 1946 and $9,032,146 in 1945.

The Company has filed applications for the reduction of Federal excess profits taxes for the years 1941 through 1945 under the tax relief provisions of Section 722 of the Internal Revenue Code. No effect has been given thereto in the accompanying financial statements since the outcome of the applications cannot be determined at this time.

Provisions for depreciation of buildings and equipment and amortization of leaseholds, included in cost of sales and operating expenses, amounted to $1,441,163 in 1946 and $2,345,048 in 1945. The depreciation provisions are less in 1946 than in 1945 due almost entirely to the sale of the Merchandise Mart in November 1945.

BALANCE SHEETS—DECE

ASSETS	1946	1945
CURRENT ASSETS:		
Cash	$ 9,795,191	$12,038,303
United States Government securities, at cost	4,940,888	11,737,336
Receivables from customers and others, less reserves	20,043,555	12,702,035
Merchandise inventories, priced at the lower of cost or market	24,077,703	15,557,305
TOTAL CURRENT ASSETS	$58,857,337	$52,034,979
PREPAID INSURANCE, SUPPLY INVENTORIES, ETC	$ 1,577,187	$ 1,205,032

FIXED ASSETS:

Classification	Cost	Reserves for Depreciation and Amortization		
Land	$16,247,722	$ —	$16,247,722	$16,238,381
Leaseholds	730,846	139,408	591,438	600,332
Buildings and building equipment	23,112,729	13,412,897	9,699,832	9,227,415
Equipment	13,615,051	6,417,751	7,197,300	5,530,484
TOTAL FIXED ASSETS	$53,706,348	$19,970,056	$33,736,292	$31,596,612
GOODWILL, TRADEMARKS, ETC			$ 1	$ 1
			$94,170,817	$84,836,624

MBER 31, 1946 AND 1945

LIABILITIES	1946	1945
CURRENT LIABILITIES:		
Accounts payable	$ 9,081,555	$ 7,025,825
Accrued Federal income and excess profits taxes	10,999,881	11,030,743
Other accrued liabilities	6,792,537	6,187,477
TOTAL CURRENT LIABILITIES	$26,873,973	$24,244,045
RESERVES:		
For possible future decline in market value of inventories, and other contingencies	$ 6,000,000	$ 3,493,183
For estimated net past service cost of Pension Plan	5,229,239	4,208,839
	$11,229,239	$ 7,702,022
CAPITAL STOCK AND SURPLUS:		
Cumulative Preferred Shares— Authorized 300,000 shares of $100 par value, issuable in series— 4¼% Series; redeemable at premiums per share of $9.00 through March 31, 1950; $6.50 through March 31, 1955, and $4.00 thereafter; issued and outstanding 150,000 shares	$15,000,000	$15,000,000
Common Shares— Authorized 4,000,000 shares of no par value, of which 180,000 shares may be sold to officers or employes without first offering such shares to the shareholders; issued and outstanding 1,943,763 shares at stated value	16,818,815	16,818,815
Paid-in surplus	9,207,179	9,207,179
Earned surplus ($6,000,000 not available for dividends on Common Shares as long as Cumulative Preferred Shares are outstanding)	15,041,611	11,864,563
	$56,067,605	$52,890,557
	$94,170,817	$84,836,624

Statement of Earned Surplus and Reserves
For the Year Ended December 31, 1946

Earned Surplus

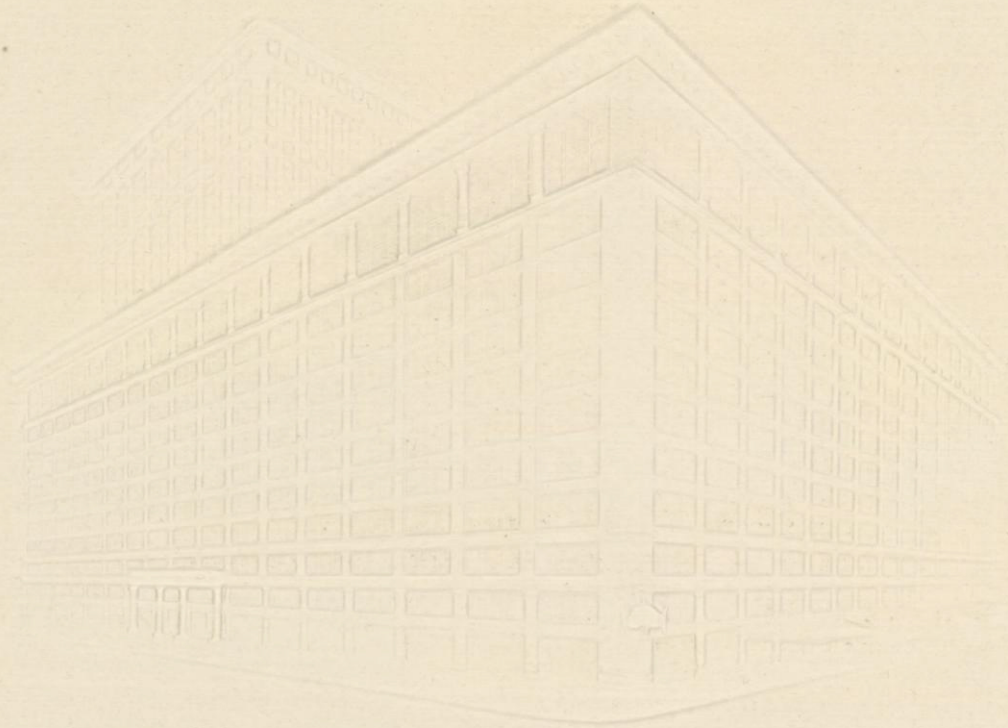
Balance at December 31, 1945		$11,864,563
Net profit for the year		11,548,649
		$23,413,212
Cash dividends declared on—		
Cumulative Preferred Shares, 4¼% Series	$ 637,500	
Common Shares ($2.95 per share)	5,734,101	
Increase in reserve for estimated net past service cost of Pension Plan	2,000,000	8,371,601
Balance at December 31, 1946		$15,041,611

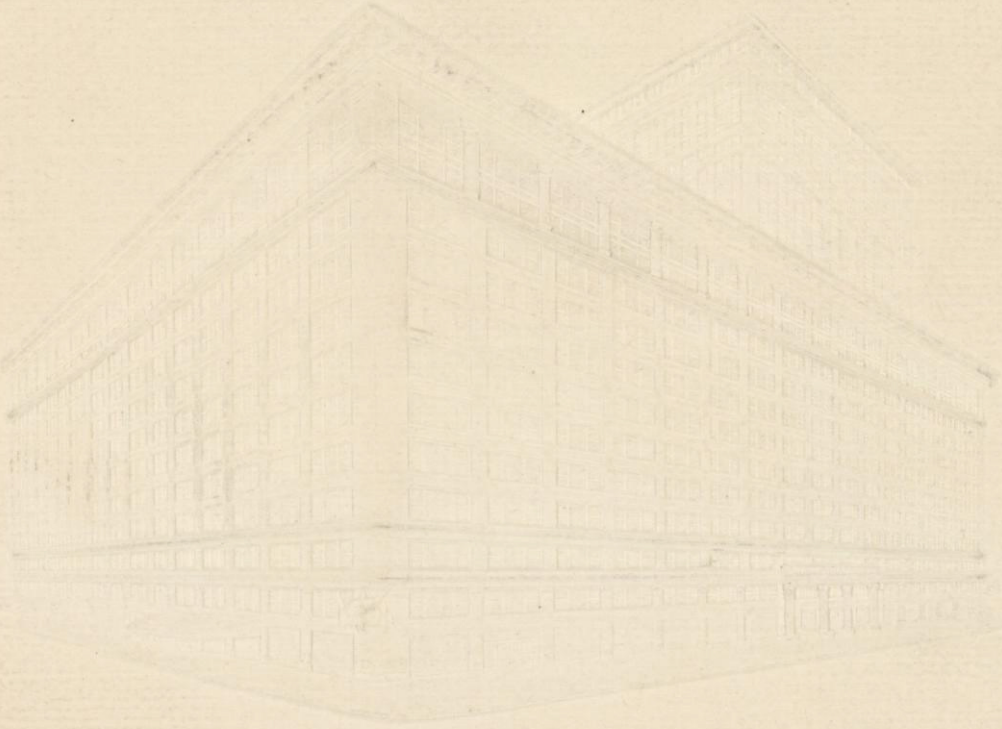
Reserve for Possible Future Decline In Market Value of Inventories, and other Contingencies

Balance at December 31, 1945	$ 3,493,183
Increase in reserve provided out of 1946 earnings	2,506,817
Balance at December 31, 1946	$ 6,000,000

Reserve for Estimated Net Past Service Cost of Pension Plan

Balance at December 31, 1945	$ 4,208,839
Increase in reserve charged to earned surplus	2,000,000
	$ 6,208,839
Amount of past service cost paid in 1946 ($1,580,000) less reduction in Federal income tax ($600,400) resulting therefrom	979,600
Balance at December 31, 1946	$ 5,229,239





THE REVAIN STORE AND ANNEX BUILDING
CHICAGO